

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3484-01  
Bill No.: HB 1370  
Subject: Economic Development; Enterprise Zone.  
Type: Original  
Date: January 21, 2002

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(\$47,952)	(\$95,904)	(\$143,856)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$47,952)</b>	<b>(\$95,904)</b>	<b>(\$143,856)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

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## **FISCAL ANALYSIS**

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### **ASSUMPTION**

Officials from the **Department of Economic Development (DED)** did not respond to our request for fiscal impact. However, in response to similar legislation from last year, DED stated this proposal would increase the allowable size of the population in enterprise zones in non-metropolitan statistical areas from 20,000 to 25,000. DED assumed this increase in population allowable will increase the number of credits and income modifications for enterprise zones. The number of enterprise zones is capped by law, so additional zones would not be generated from this legislation, however, DED estimated that one zone per year would expand beyond 20,000 inhabitants and this proposal would generate additional credits being taken by businesses within those zones.

DED estimated the fiscal impact of this legislation as \$47,952 for each year on a cumulative basis. Therefore, the proposed legislation is estimated to cost \$47,952 in the first year, \$95,904 in the second year, and \$143,856 in the third year. DED assumed they will not need additional resources to implement this proposed legislation.

DED stated there is an average of 8.41 businesses per zone (530 businesses / 63 zones) receiving benefits. DED assumed that 20% of these, or 1.68 new businesses per zone will now qualify for the credit and that only one zone per year would expand when that one zone per year would increase beyond 20,000 inhabitants. Multiplying the new 1.68 businesses per year by the average of \$28,500 of benefits received by each business, the proposal is estimated to result in an additional \$47,952 in tax credits per year.

Officials from the **Department of Revenue (DOR)** state they do not anticipate a significant increase in the number of new credits filed. Therefore, they will not request additional FTE at this time.

However, if the DOR is incorrect in this assumption, they state they will need one Temporary Tax Season Employee for every 75,000 additional credits, one Tax Processing Tech I for every 30,000 additional errors generated and one Tax Processing Tech I for every 3,000 additional pieces of correspondence received regarding this credit. Any FTE needed will be requested during the normal budget process

**Oversight** assumes the proposed legislation will not result in additional enterprise zones since the number is capped at 63. However, the proposal will result in additional businesses qualifying for the tax credits in non-metropolitan areas in areas that are expanded beyond 20,000 inhabitants.

**This proposal may result in a decrease in Total State Revenues.**

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<b>GENERAL REVENUE FUND</b>			
<u>Loss</u> - Tax credits for new businesses within an enterprise zone	<u>(\$47,952)</u>	<u>(\$95,904)</u>	<u>(\$143,856)</u>
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b><u>(\$47,952)</u></b>	<b><u>(\$95,904)</u></b>	<b><u>(\$143,856)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

A direct fiscal impact could be expected to those small businesses that would now qualify as part of an enterprise zone.

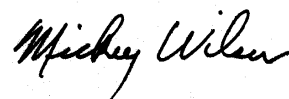
DESCRIPTION

This proposal increases the maximum population of enterprise zones not located in a metropolitan area from 20,000 inhabitants to 25,000.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development  
Department of Revenue



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